Wafrah For Industry & Development

Annual report of Audit Committee to the shareholders on the financial year ended December 31, 2021

M/S Shareholders of Wafrah for Industry and Development Company

Peace, mercy, and blessings of Allah may be upon you,,

The Review Commission of Wafrah for Industry and Development Company would like to present to shareholders - in accordance with Article 104 of the Companies Law - its annual report, which includes a summary of the performance of the Review Commission for the financial year ending on 31/12/2021AD.

Composition of the Review Committee

The review committee was established by decision of the General Assembly of Shareholders on 18/03/2021 for a period of three years ending at the end of the session of the Board of Directors on 13/01/2024 to monitor the Company's business and verify the integrity and integrity of reports, financial statements, internal control systems, accounting policies and oversight of the internal audit work and the auditor of the Company.

The previous review committee was isolated and the current review committee was formed from the date of the Assembly's meeting on 14/03/2021 until the end of the session of the Governing Council on 13/01/2024.

Review Committee meetings

The previous review committee held twelve (12) meetings during the financial year ended December 31, 2021. To discuss and approve the annual financial statements for the year ended December 31, 2020, to discuss and approve the quarterly financial statements during 2021, to select the company's external auditor, to discuss the workplan of the internal audit department with the former internal auditor, to select an external professional company to carry out internal audit work and to discuss the internal audit workplan with it.

All members of the previous committee attended all the meetings of the committee except the ninth meeting held on September 8, 2021, where Professor Hani Abu-Naja apologized for attending.

The main activities of the Committee during the year 2021:

I. Examination of financial statements for the financial year ended 31/12/2021

In this regard, the Committee has:

1- Reviewing and monitoring the results and indicators of the quarterly and annual financial statements for the fiscal year ending on December 31, 2021 AD. Before submitting it to the Board of Directors to ensure its integrity, fairness and transparency.

2- Expressing a technical opinion - at the request of the Board of Directors - regarding the fairness and clarity of the company's financial statements and including information that allows shareholders to assess the company's financial position and performance.

3- Studying any important or emerging issues included in the financial reports.

4- Researching any issues raised by the company's financial manager or auditor.

5- Studying the accounting policies followed in the company and expressing an opinion and recommendation to the Board of Directors in this regard.

6- Submitting recommendations to the Board of Directors for approval.

7- Ensuring that all the procedures that were followed in preparing the financial statements, as well as the accompanying clarifications, are in compliance with the generally accepted accounting standards in the Kingdom and international standards.

8- The financial management was directed to add a new clarification about the annual financial statements related to sectoral information, so that the income statement is disclosed for each of the four factories separately.

In this context, the Committee submitted reports on the most important topics discussed in the Audit Committee's meetings to the Board of Directors.

Second: Selection of the company's external auditor

In this context, the committee studied the offers submitted by the auditors' offices, and after verifying the independence and objectivity of the aforementioned offices, the committee raised its recommendation of the two best offers for approval of one of them by the ordinary general assembly in accordance with the system.

Third: Management of internal audit

The review committee did the following:

1- The review committee decided to hire an external professional company to carry out the internal audit work due to the resignation of the company's internal auditor and the inability to provide a highly qualified internal auditor. The committee held a meeting and invited two companies specialized in internal auditing to submit their offers, and the best offer was chosen and contracted with them.

2- The committee held a meeting with the internal audit team of the consulting company to instruct the committee's expectations, the most important of which are

Studying and reviewing the company's internal and financial control and risk management systems.

- Reviewing the independence of the internal audit company from the executive management and verifying that there are no unjustified restrictions on the work of the internal audit.

3- The committee approved the risk assessment report and the strategic internal audit plan for the years 2022, 2023 and 2024. These were presented by the consulting office and the appropriate recommendations were made by the committee.

4- The Committee continuously supervises the internal audit advisory team and follows up and reviews the implementation of the approved internal audit plan.

Fourth: Examination and review of the company's internal control procedures

The Audit Committee examined and reviewed the company's internal control procedures and made sure of the existence of a company's internal control system that helps to achieve stability when conducting various operations. The company's internal control system provides accurate accounting and administrative data and information for management so that it can rely on it and take the necessary decisions regarding it.

Fifth: The results of the evaluation of internal control systems and the opinion of the review committee

The review committee works on developing and supporting the internal control and oversight systems on an ongoing basis. Based on what was presented to the committee from the reports of the company's internal audit department, the company's auditor and the executive management, it was not clear to the review committee that there were observations or fundamental weaknesses in the company's internal control systems, and that the company's internal control procedures were sound, prepared on sound foundations, and implemented effectively.

In conclusion, the review committee would like to thank the Board of Directors for their support and support for the Audit Committee to accomplish its tasks for the year 2021 AD

Peace, mercy, and blessings of Allah may be upon you,,

Head of the review committee

Faisal Abdullah Mohammed Al-Qahtani

Wafrah For Industry & Development

Recommendation for External Auditors Appointment for the financial year 2022

- Statement of submissions by review offices:

Statement	Al Kharashi & Partners (Legal Accountants & Review ors) (MAZARS)	Ibrahim Ahmed Al-Bassam & Partners (Legal Accountants & Review ors) (PKF Global)
Fees for review ing and issuing annual financial statements for 2022	165,000	200,000
Second quarter examination fees for 2022 to first quarter 2023	150,000	150,000
Prepare and follow up the company's zakat statement on 31/12/2022	20,000	30,000
Total fees	**335,000**	**380,000**

The Auditors Committee recommends choosing Al Kharashi & Partners (Legal Accountants and Review ors, as the first option, and Ibrahim Ahmed Al Bassam & Partners (Legal Accountants & Review ors), as the second option.

Head of the Auditors Committee

Faisal Abdullah Mohammed Al-Qahtani